



CLOVER STORNETTA FARMS, INC.

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May 26, 2004

Mr. David K. Ikari
Chief, Dairy Marketing Branch
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

Dear Mr. Ikari:

Clover Stornetta Farms, Inc. petitions the Department to hold a hearing on transportation allowances. This request will require an alteration to the Milk Pooling Plan.

Specifically, we are asking for a change to the Milk Pooling Plan, Section 921.2 sub (a). The current language reads:

Section 921.2

- (a) For plants located in the Bay Area receiving area, which shall consist of the counties of Alameda, Contra Costa, Santa Clara, Santa Cruz, San Francisco, and San Mateo:

We propose the following (*changes in italic*):

Section 921.2

- (a) For plants located in the Bay Area receiving area, which shall consist of the counties of Alameda, Contra Costa, *Marin*, Santa Clara, Santa Cruz, San Francisco, *and* San Mateo, *and Sonoma*:

Our reasons and the justification for this change are stated as follows. We are hopeful that this important request will be given due consideration.

Reasons:

The significant shifts in milk production areas, coupled with the consolidation in the dairy processing industry, have combined to create a financial incentive for North Bay milk to move past Clover Stornetta Farms, a Sonoma County Class 1 fluid processor, to plants more distant. The most compelling financial incentive is clear, consistent, and definable. In order that the efficient movement of milk to the closest Class 1 plant be encouraged rather than economically discouraged, we propose that the Bay Area receiving area be expanded, up to and including Sonoma County.

Justification:

Historically, Sonoma County producers tended to be smaller and more remote than producers in most other Northern California counties. This resulted in costly and inefficient ranch to plant hauling from Sonoma County.

Just as all of California production has changed dramatically, so has Sonoma County's production. The producer consolidation in Sonoma County has meant that the relatively large dairies that remain lend themselves much more efficiently to ranch to plant pick up and hauling.

In fact, this area is so efficient to this purpose that Bay Area processors have been able to negotiate hauling rates based on these volumes. These rates, according to the Department's data, are actually less than the local rate. In addition, the Department's "Hauling Rates Ranch to Plant Comparison" publications show that since January of 2001, the average rate to a producer for a haul to the Bay Area is less expensive than the rate to a producer for a local haul.

This disparity, in and of itself, would create a disincentive to ship to a local Class 1 plant. When an additional transportation allowance is also offered to the producer, it all but precludes any choice to ship locally.


Once these incentives serve to fill these out-of-county demands, we are left to compete with co-operatives, who have their own incentives to fill a manufacturing plant and/or service other manufacturing plants through supply contracts. We then have to compete with distant cheese plants that can offer protein premiums.

This is the economic reality today. It is not a situation caused by some unique market circumstance or gyrations, but one which the Department's own data shows has been in existence for many years. The results of this ever increasing trend are counter to the very purpose of transportation allowances.

I respectfully request that the Department call a hearing on this very important issue.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Imm", with a stylized flourish at the end.

Gary Imm
Chief Executive Officer
Clover Stornetta Farms, Inc.

Cc: Eric M. Erba, Ph.D.